

Amendments to Senate Bill No. 282
1st Reading Copy

Requested by Senator Dick Barrett

For the Senate Taxation Committee

Prepared by Jaret Coles
March 21, 2013 (2:35pm)

1. Page 14, line 4 through line 7.

Strike: subsection (3) in its entirety

Insert: " (3) In applying the rates in effect under subsection (1) and the rate reduction for net capital gain income under subsection (2), Montana taxable income is divided into an ordinary income category and a net capital gain category. The rate of tax applied toward each category is calculated as follows:

(a) Ordinary income is taxed first by applying the 4% rate up to the limit of the 4% rate bracket determined under subsection (1) and at the 6% rate to the extent that ordinary income exceeds the 4% rate bracket.

(b) Net capital gain income is taxed after applying the rates in subsection (1) to all ordinary income as provided in subsection (3)(a), and the total amount of ordinary income subject to tax in subsection (3)(a) is the starting point for determining the rates that are applied toward net capital gain income. The rate of tax applied toward net capital gain income is calculated as follows:

(i) If the total amount of Montana taxable income is less than or equal to the amount of income subject to tax at the 4% rate bracket determined under subsection (1), then net capital gain income is taxed at a 2.5% rate.

(ii) If the total amount of ordinary income is less than the amount of income subject to tax at the 4% rate bracket determined under subsection (1) and the total amount of Montana taxable income exceeds the amount of income subject to tax at the 4% rate bracket determined under subsection (1), then all ordinary income is subject to tax at the 4% rate bracket and net capital gain income is taxed as follows:

(A) The ordinary income subject to tax in subsection (3)(b)(ii) is subtracted from the amount of income subject to tax at the 4% rate bracket under subsection (1), and the difference from this calculation equals the amount of net capital gain income taxed at a 2.5% rate.

(B) All remaining net capital gain income that remains after applying the tax rates to the ordinary income and net capital gain income in subsection (3)(b)(ii)(A) is taxed at a 4.5% rate.

(iii) If ordinary income equals or exceeds the amount of income subject to tax at the 6% rate bracket under subsection

(1), then all net capital gain income is taxed at a 4.5% rate."

2. Page 14, line 12.

Following: line 11

Insert: "(5) For the purposes of this section, the term "ordinary income" means Montana taxable income less net capital gain income."

- END -

Explanation - This amendment further clarifies the language that was adopted by the committee in amendment #2 of amendment SB028208.ajc. In the event this motion passes the language in amendment #2 of amendment SB028208.ajc can be stricken by passing a motion to reconsider amendment #2 of amendment SB028208.ajc.